

TalkTalk founder in £400m pledge to win lenders' backing

The founder of TalkTalk has pledged a £400m package to the company's lenders in a bid to win their support for a wide-ranging refinancing.

Sky News has learnt the broadband provider proposed this week that a number of assets including the Virtual1 wholesaler of high bandwidth services it bought in 2022 would be pledged as part of a deal with the company's bondholders and bank lenders.

Sources said TalkTalk – founded and chaired by Sir Charles Dunstone, one of Britain's most successful entrepreneurs – was also proposing to bring the broadband customer base it acquired from Shell Energy within the perimeter of the bondholders' security package.

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In total, they said, the asset pledges would total in the region of £200m, adding to a proposed capital injection of just over £200m from Sir Charles and the company's other shareholders.

They hope to win approval to extend the company's repayment obligations until 2027, buying it additional financial breathing space.

Sir Charles and TalkTalk's management team also committed to lenders that they would remain in place until their turnaround plan has been delivered in three years' time.

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The talks come as TalkTalk seeks to reorganise borrowings which total in the region of £1bn.

On Friday, it was unclear whether bank lenders and bondholders would be prepared to support the latest proposals.

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TalkTalk is one of Britain's biggest broadband providers, with nearly four million customers.

If it progresses, the £200m-plus injection from Sir Charles, Toscafund and Ares Management, and the various asset pledges, would be accompanied by an amend-and-extend agreement with the group's lenders.

Separate discussions with Macquarie, the Australian banking behemoth, about a larger investment into TalkTalk's wholesale network business, PlatformX, are continuing but have yet to reach a resolution.

Reports last weekend said TalkTalk was at risk of collapse after warning in its annual report it could breach debt covenants next month.

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James Smith, TalkTalk's chief financial officer, told debt

investors during a results call last week: “We anticipate agreement on new capital investment into the business in the near future, and discussions to achieve that are ongoing.

“Engagement continues with a potential new investor, together with potential new lenders.

“At the same time, the group’s existing shareholders have confirmed their intent to provide new funding of over £200m into the group to support working capital and operational costs.

“Those shareholders and the company are in dialogue with existing group lenders, or their advisers, regarding the optimal route to put that funding into the business.”